TEXAS PUBLIC POLICY FOUNDATION
Testimony

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Life:Powered

Testimony Before the U.S. House Committee on Oversight and Accountability

by The Honorable Jason Isaac, Director, Life:Powered

Subcommittee Chairman Fallon and Subcommittee Chairwoman Hinson, Ranking Members Bush and Porter, and Members of the Committee:

On behalf of Life:Powered, a national initiative of the Texas Public Policy Foundation to raise America's energy IQ, I thank you for the opportunity to testify today.

From 2011 to 2019, it was my honor to serve two counties in the Texas Hill Country as a member of the Texas House of Representatives. During my four terms in office, I primarily served on the Environmental Regulation, Energy Resources, and Economic Development committees, where I learned that the United States is a world leader in environmental protection and economic prosperity. Now, as the director of Life:Powered, one of my primary missions is to expose how environmental, social, and governance (ESG) investing threatens our economic prosperity and, instead of improving our environment, enables China's abysmal human rights and environmental records. ESG has infiltrated our economy and been weaponized against essential industries all of us rely on, including, but not limited to, fossil fuels, agriculture, and forestry.

Today, I want to discuss with you the detrimental effects the collusory ESG agenda is having on American energy producers and why Congress must do everything in its power to stop this overreach into what is supposed to be a free market.

ESG investing isn't just harmful to our economy and energy industry—it could violate antitrust laws.

A free market is no longer free when the major financial players are colluding—not even behind the scenes but out in the open—to gut politically targeted businesses while forcing dollars into their own "green" investments. That's exactly what's happening on Wall Street with the rise of ESG investing. Energy companies that don't toe the line on political pet projects risk losing access to capital and even having existing contracts terminated. It's happening all over the country, as companies from BlackRock to The North Face are boycotting fossil fuels and shady shareholder tactics are being used to take over oil companies.

These cartel-like tactics are a flagrant violation of longstanding federal antitrust laws. Corporations are legally barred from engaging in group boycotts. These rules were set into place over a century ago to protect consumers from conspiracies to manipulate prices, constrain competition, and use politically or socially favored rhetoric to limit consumer choice.

The worst part of all this? Even the most powerful financial club could never actually succeed at eliminating fossil fuels—only at driving up prices and sending production overseas. It's a power grab with no net gain.

No matter how excessive the media narrative on climate change becomes, we won't stop needing affordable, reliable energy. Even after decades of multibillion-dollar subsidies intended to take renewable energy mainstream, the share of our energy provided by fossil fuels dipped from 80% to—wait for it—79%. All that expense, borne by the taxpayers, did next to nothing to improve renewable technology. Wind and solar may be politically popular, but history is proving again and again that they just don't work as a primary power source.

Faced with the possibility of losing access to capital and even having existing contracts canceled, many responsible American energy producers, especially small and medium-sized businesses without the vast resources of major oil companies, face the threat of going out of business altogether as banks increasingly refuse to serve the energy industry.

Unfortunately, this will drive energy production overseas, where environmental standards are lax. Not only will weakening America's energy dominance result in higher energy costs and a weaker stance in the global balance of power, but also, ironically,

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the long-term result of ESG collusion will be more harmful air pollution and more carbon dioxide emissions—the opposite of environmentalists' stated goal of protecting the planet.

Energy producers shouldn't have to apologize for existing. Instead, we should be celebrating the role of responsibly produced American oil, natural gas, and clean coal in protecting our environment, improving our quality of life, and fighting poverty all over the world.

ESG investing, which could be a useful tool for individuals to make informed choices about their investments, has instead become a wrecking ball that could destroy entire industries and cause even more painful inflation.

The un-American agenda of the climate cartel is an affront to the principles of liberty that founded our country.

As our policy director, Brent Bennett, Ph.D., points out in his research, *Keeping Politics Out of Texas Pensions Through Proxy Voting Reform*:

> A large portion of the voting shares in many public companies, up to 20%, is now controlled by three asset managers: Vanguard, BlackRock, and State Street. ESG investing has been a significant source of new revenue for these firms, enabling them to offer funds with a higher fee structure in an environment of declining fees, and they heavily market their ESG credentials.
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> The market for proxy voting advisory services—used by pensions, foundations, and endowments, as well as many asset managers to facilitate voting in thousands of corporate elections each year—is even more concentrated. Two firms, Institutional Shareholder Services Inc. (ISS) and Glass Lewis, hold over 90% of the market share and have become major ESG promoters because they benefit financially from the increasing number and complexity of shareholder resolutions from ESG activists.
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> Public pensions, as some of the largest institutional investors in the world, are important trendsetters in the investment industry, and several state pensions, particularly the California State Teachers' Retirement System (CalSTRS) and the California State Employees' Retirement System (CalPERS), the two largest public pensions in the country, have led the charge in ESG activism. …
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> One example of this activist pressure at work is the campaign to force major oil and gas companies to adopt "net zero by 2050" carbon emissions targets and essentially embark on a 30-year effort to cannibalize their existing businesses in favor of low- or zero-carbon alternatives. Some of the notable groups behind this effort are Climate Action 100+ (CA100+), As You Sow, and Follow This, as well as traditional environmental groups like the Sierra Club. Despite ample evidence that oil and gas demand will continue to grow over the next 30 years, these activists claim that government policies will be able to dictate a rapid transition away from fossil fuels and that companies need to manage so-called transition risk. What's really happening is that they are weakening the resolve of energy companies to fight those policies, as evidenced by the shifts in the stance of the American Petroleum Institute, the oil and gas industry's main trade group, on issues like methane regulations and carbon taxes.
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> ESG activists would be sideshows in most public company elections if not for the influence of two important groups of participants in the proxy voting process: investment managers and proxy voting advisory firms. Consolidation in the investment industry and the rise of large, passively managed index funds have brought a large portion of the proxy votes of the largest U.S. companies under the control of three asset managers: Vanguard, BlackRock, and State Street. … When these companies vote together, they have tremendous power to sway corporate elections, a fact that ESG activists have long been aware of and are using to their advantage.

After working for months on a potential transaction, one entrepreneur was told by Credit Suisse First Boston that if he tweeted several points of agreement and alignment, including with the Paris Climate Accord and Net Zero by 2050, they would consider facilitating a transaction. That is clearly coercive in nature to align with political goals.

What would you call it when asset managers and proxy firms force compliance with a foreign treaty that has yet to be ratified by Congress? Even attempting to achieve Net Zero by 2050 would be massively catastrophic for humanity and we need look no further than the destructive net-zero policies implemented in Sri Lanka. This once-prospering country was exporting agriculture commodities until the worlds' first ever "net-zero candidate" was elected president and implemented policies banning the use and importation of nitrogen-based fertilizers. What happened to a country that had a near perfect ESG rating in the world? Food production decreased by 40% and prices skyrocketed 80%. When the president's palace was overrun, he didn't flee to the net-zero country of Malawi that was suffering from a cholera outbreak, he fled to the nation with one of the highest per capita CO_2 emissions on the face of the earth: Singapore.

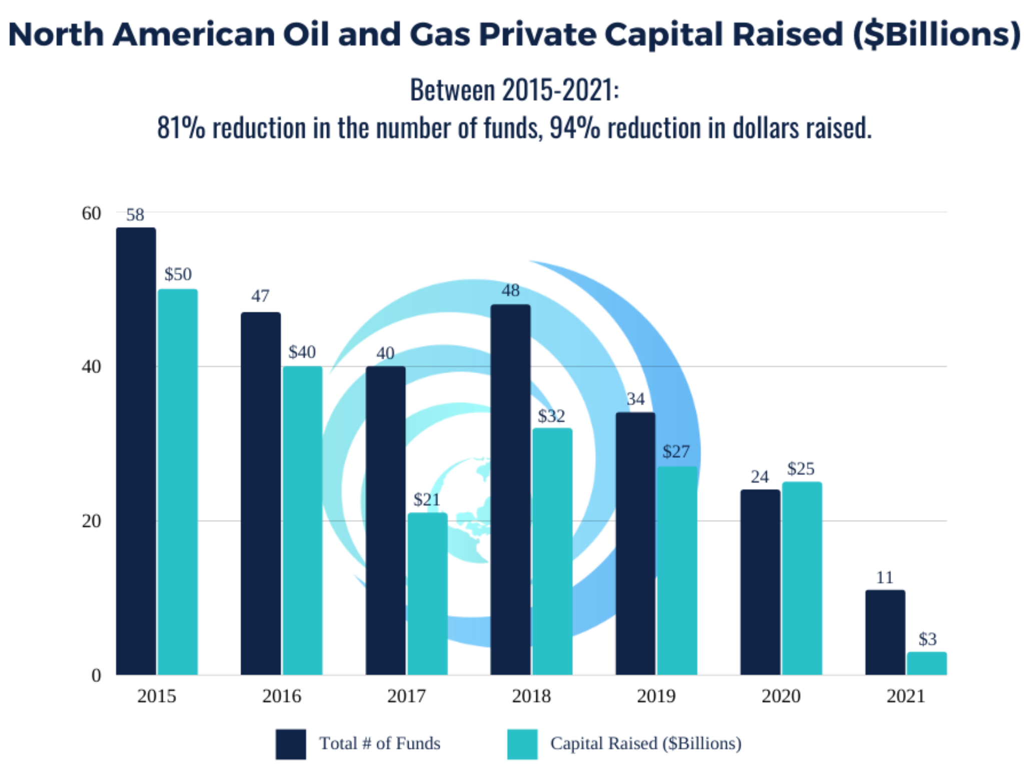
The European Union's embrace of ESG, namely the E (decarbonization), has led to energy becoming expensive, scarce, and government controlled. After spending billions on unreliable electric generation European leaders are realizing the people they serve won't stand for unreliable electricity or skyrocketing prices. In an attempt to ease the pain of their mistakes, leaders are attempting to label natural gas as a sustainable 'green investment.' I argue that Europeans are waking up to the realization that life is much more sustainable with fossil fuels, than without.

Financial institutions should not be able to use their financial power to coerce political agendas on businesses. The repercussions are tangible: several high profiles companies were all-in on ESG; Credit Suisse, SVB, and FTX (the crypto company without a board of directors had a higher ESG rating, at the time of its collapse, than ExxonMobil). No financial institution should be pursuing a political agenda over its fiduciary duty.

The owner of a small oilfield services company, James Lofton, detailed in his testimony in front of the Texas House Committee on State Affairs in 2021 how his business had been "targeted" and denied funding when Chase Bank decided to cancel the company's line of credit. In his testimony, Mr. Lofton said he was told the bank was "discontinuing anything to do with oil and gas." This change came despite the fact that Mr. Lofton's company had strong financial statements, had never missed a payment, and had not overextended its credit.

The problem with this is that energy is necessary for human flourishing. Cutting off credit to an industry essential to modern life because of a political agenda is problematic for our livelihoods.

The chart below details the effectiveness of the ESG agenda. Private capital investments in North American oil and gas operations has diminished over the past several years despite the fact that global demand for oil and gas is rising. This anti-American and anti-capitalist ESG agenda is definitely playing a role in restricting our ability to produce more energy here, which means that autocratic nations abroad will have more control over the global energy market.



Data from Preqin, 2021. (https://www.preqin.com/data/our-data).

We are not troubled by individual financial institutions making their own independent decisions. What's troubling is the global collusive effort that is behind the modern ESG movement. Research we have done at Life:Powered shows the intricate feedback loop between capricious standards of political correctness, government policy, and corporate actions that is driving woke capitalism. That loop must be broken to prevent the continued takeover of the means of production—from energy to agriculture to raw materials—by government and crony corporatists.

Energy driven inflation is leading to an increasing number of Americans getting their utilities disconnected, electricity disconnects have increased 30% while natural gas cut-offs have soared 76%, and globally 345 million people are on the brink of starvation. We cannot let the ESG agenda continue to deliver this pain, without any environmental gain. It puts our country and our very way of life at risk.

Thank you for the invitation to testify today. I look forward to your questions.

Sincerely,

The Honorable Jason Isaac
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Texas Public Policy Foundation

ABOUT THE AUTHOR

Jason Isaac is director of Life:Powered, a national initiative of the Texas Public Policy Foundation to raise America's energy IQ. Jason has appeared live on Fox Business Network and other national news shows, and his commentaries have been published in *Fox Business, The Hill, The Washington Examiner, The Daily Caller*, and other publications. He is a regular contributor to The Epoch Times.

Prior to joining Life:Powered, Jason, a fourth-generation native Texan, was elected four times as the State Representative for Hays and Blanco counties in the Texas Hill Country. He served on the Energy Resources and Environmental Regulation committees, among others. During his eight years of service, he successfully passed legislation to reduce taxes, strengthen election integrity, improve public education, preserve Second Amendment rights, protect local groundwater, and protect private property rights.

He was repeatedly honored for his commitment to limited government and proved to be an effective leader, excelling at both advocating for conservative principles and working across the aisle to find responsible solutions for the future of the Lone Star State.

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